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RUEHBJ/AMEMBASSY BEIJING 3500
RUEHKO/AMEMBASSY TOKYO 3364
RUEHIT/AMCONSUL ISTANBUL 4031
RUEKJCS/JOINT STAFF WASHDC
RUEAIIA/CIA WASHDC
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RUEATRS/DEPT OF TREASURY WASHDC
RUEKJCS/SECDEF WASHINGTON DC
RUCNDT/USMISSION USUN NEW YORK 1200
RUEHVEN/USMISSION USOSCE 4005

C O N F I D E N T I A L SECTION 01 OF 02 ASHGABAT 001318

SIPDIS

STATE FOR SCA/CEN; EEB; NEA/IR
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SUBJECT: TURKMENISTAN: CONOCOPHILLIPS REPORTS PROGRESS WITH
NEW PARTNER

REF: ASHGABAT 1142

Classified By: Charge Sylvia Reed Curran for reasons 1.4 (b) and (d).

11. (C) SUMMARY. A ConocoPhillips representative reported that the company has renewed its chances of on offshore deal with Turkmenistan since it recently dropped LukOil as a partner and picked up UAE-based Mubadala. ConocoPhillips had already partnered successfully with Mubadala in Kazakhstan and was confident this new partnership would appease the Turkmen, given the GOTX preference for working with national companies. ConocoPhillips previously hoped to develop blocks 19 and 20 in the Caspian simultaneously, but reported that the GOTX had advised ConocoPhillips to proceed with a proposal for one block, and if it goes well there might be an opportunity to receive additional blocks. ConocoPhillips took the decision in stride and agreed with the GOTX to submit a new proposal for block 19 this week. The company took the GOTX decision to limit the proposal to one block in stride, explaining that the renewed interest in ConocoPhillips by the GOTX was more than promising. The company is moving forward to open its office in Ashgabat in the next few weeks. END SUMMARY.

12. (C) On October 15, Charge met with ConocoPhillip's Caspian President to discuss the company's progress in reaching an offshore exploration deal with the Turkmen. According to the ConocoPhillip's representative, President Berdimuhamedov made it clear to company officials in New York in September that no onshore deal would be forthcoming if ConocoPhillips maintained its partnership with LukOil. Shortly after ConocoPhillips met with Berdimuhamedov, the company began to sever its partnership with LukOil and began seeking a partner the Turkmen could tolerate.

13. (C) The company rep explained that after ConocoPhillips had terminated its partnership with LukOil, it quickly partnered with the state-owned UAE development company Mubadala, just as it had done in exploring block N in

Kazakhstan with KazMunayGas (reftel). The company rep asserted that Mubadala's strategic relationship with the Middle East and its good reputation were well received by GOTX officials, who reportedly strongly supported the new partnership. The company rep also believed that the GOTX might be more comfortable working with a state-owned company like Mubadala for a more government-to-government arrangement. The rep did not rule out the possibility that ConocoPhillips would serve a secondary role if the GOTX insisted on an agreement where Mubadala would be listed as the primary company.

14. (C) According to the ConocoPhillips rep, the GOTX insisted that ConocoPhillips provide a new proposal for either block 19 or 20, but not both. Although originally disappointed, ConocoPhillips set to work on a proposal for block 19, which had more prospectivity. According to the rep, GOTX officials assured ConocoPhillips that it would be able to develop additional blocks if exploration of block 19 was successful. The company rep added that the Russian company Itera currently has an agreement to develop block 21 only, even though Itera reportedly wanted to develop additional blocks. The company rep opined that the GOTX has instituted a new policy of awarding one block to a company, and if the company develops hydrocarbons successfully, the GOTX will "reward" that company with additional blocks. According to the ConocoPhillips rep, the company would still like to develop block 20, even if it cannot do so in concert with block 19.

15. (C) When asked about plans to open its office in Ashgabat, the company rep stated that since the recent positive events,

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the company has escalated its plans to open an office in Ashgabat. The company has secured office space and is in the process of placing an expatriot to head the office by next quarter. The company has also hired a local employee who will manage the office and help mitigate any issues resulting from Turkmenistan's complicated bureaucracy. Per Turkmen tradition, the company plans to hold an official opening ceremony as soon as possible.

16. (C) COMMENT. ConocoPhillips' recent report that the GOTX has requested a new exploration proposal is clearly good news. The company's decision to sever ties with LukOil in a very short amount of time shows that it is serious about offshore Caspian opportunities. Although ConocoPhillips does not have a deal in hand, its willingness to adhere to the President's counsel has been noted by the President, who in turn has directed that ConocoPhillips be given another chance. Although ConocoPhillips has yet to report that a deal has been reached, reports that the GOTX asked ConocoPhillips for a new proposal have been seen as a game changer by company officials. END COMMENT.
CURRAN